

BANK INDONESIA REGULATION
NUMBER 8/4/PBI/2006
CONCERNING
GOOD CORPORATE GOVERNANCE IMPLEMENTATION
BY COMMERCIAL BANKS

THE GOVERNOR OF BANK INDONESIA,

- Considering
- a. whereas the increasing risk complexity faced by banks demands an increased need for good corporate governance practice by banks;
 - b. whereas in order to improve Bank performance, protect stakeholders' interests and increase compliance to prevailing regulations and general code of conduct in the banking industry, good corporate governance implementation is considered necessary;
 - c. whereas an improvement in the quality of good corporate governance implementation is among the efforts to strengthen the internal condition of national banks pursuant to the Indonesian Banking Architecture (IBA);
 - d. whereas based on considerations referred to in letter a, letter b, and letter c, it is considered necessary to stipulate a Bank Indonesia Regulation concerning Good Corporate Governance Implementation by Commercial Banks ;

In view of: ...

- In view of:
1. Act Number 7 Year 1992 concerning Banking (State Gazette of The Republic of Indonesia Year 1992 Number 31, Supplement to State Gazette of The Republic of Indonesia Number 3472) as amended by Act Number 10 Year 1998 (State Gazette of The Republic of Indonesia Year 1998 Number 182, Supplement to State Gazette of The Republic of Indonesia Number 3790);
 2. Act Number 23 Year 1999 concerning Bank Indonesia (State Gazette of The Republic of Indonesia Year 1999 Number 66, Supplement to State Gazette of The Republic of Indonesia Number 3843) as amended by Act Number 3 Year 2004 (State Gazette of The Republic of Indonesia Year 2004 Number 7, Supplement to State Gazette of The Republic of Indonesia Number 4357);

HAS DECIDED:

To enact: BANK INDONESIA REGULATION CONCERNING
GOOD CORPORATE GOVERNANCE
IMPLEMENTATION BY COMMERCIAL BANKS .

CHAPTER I

GENERAL PROVISIONS

Article 1

In this Bank Indonesia Regulation, the following terminologies shall have the following meanings :

1. Bank ...

1. Bank shall be Commercial Bank as referred to in Act Number 7 Year 1992 concerning Banking as amended by Act Number 10 Year 1998, including branch offices of foreign banks.
2. Commissioner:
 - a. of a Bank incorporated as a Limited Liability Company, shall be Commissioner as referred to in Article 1 number 5 of Act Number 1 Year 1995 concerning Limited Liability Companies ;
 - b. of a Bank incorporated as a Regional Government Enterprise shall be member of Supervisory Board as referred to in Article 19 of Act Number 5 Year 1962 concerning Regional Government Enterprise ;
 - c. of a Bank incorporated as a Cooperative shall be member of the Supervisory Board as referred to in Article 38 of Act Number 25 Year 1992 concerning Cooperatives.
3. The Board of Directors :
 - a. of a Bank incorporated as a Limited Liability Company shall be The Board of Directors as referred to in Article 1 number 4 of Act Number 1 Year 1995 concerning Limited Liability Companies ;
 - b. of a Bank incorporated as a Regional Government Enterprise shall be The Board of Directors as referred to in Article 11 Act Number 5 Year 1962 concerning Regional Government Enterprise ;
 - c. of a Bank incorporated as a Cooperative shall be Management Board as referred to in Article 29 of Act Number 25 Year 1992 concerning Cooperatives;
 - d. of a branch office of a foreign bank shall be the head of the branch office of a foreign bank .

4. Independent Commissioner shall be a member of The Board of Commissioners without any financial, management, share ownership and/or family relationships with other members of The Board of Commissioners, The Board of Directors and /or Controlling Shareholders or any other relationships that may affect his/her ability to act independently.
5. Independent Party shall be external party of the Bank without any financial, management, share ownership and/or family relationship with The Board of Commissioners, The Board of Directors and /or Controlling Shareholders or other relationships that may affect his/her ability to act independently.
6. Good Corporate Governance shall be Bank governing procedures through the application of transparency, accountability, responsibility, Independency, and fairness principles.
7. Stakeholders shall be all parties having direct or indirect interests in Bank business activities.
8. Executive Officer shall be an officer directly responsible to The Board of Directors or exercising influence over the policy and operation of the company or Bank, including but not limited to branch office manager and head of Internal Audit Work Unit.

Article 2

- (1) Each Bank must implement Good Corporate Governance principles in any of its business activity on all organizational levels or hierarchy of the.
- (2) Implementation of Good Corporate Governance principles as referred to in Paragraph (1) must at least be realized in :
 - a. implementation of tasks and responsibilities by the Board of

Commissioners and the Board of Directors ;

- b. completeness and implementation of the tasks of committees and the work unit performing bank internal audit function;
- c. performance of compliance, internal auditor and external auditor functions;
- d. risk management implementation, including the internal control system;
- e. provision of funds to related parties and provision of funds in large amount (large exposures);
- f. strategic plan of the Bank;
- g. transparency in Bank financial and non financial conditions.

Article 3

Bank Indonesia shall conduct an evaluation of Good Corporate Governance implementation by each Bank.

CHAPTER II

BOARD OF COMMISSIONERS

Part One

Number, Composition , Criteria and Independency of Board of Commissioners

Article 4

- (1) The number of Board of Commissioners members shall be no less than 3 (three) persons and no more than the number of Board of Directors members.
- (2) No less than 1 (one) member of the Board of Commissioners must be domiciled in Indonesia.

(3) The Board ...

- (3) The Board of Commissioners shall be headed by a President Commissioner or a Chief Commissioner.

Article 5

- (1) The Board of Commissioners shall consist of Commissioners and Independent Commissioners .
- (2) No less than 50% (fifty percent) of the number of the Board of Commissioners members shall be Independent Commissioners.

Article 6

- (1) Any recommendation to replace and /or appoint members of the Board of Commissioners to the General Meeting of Shareholders must consider the recommendation from the Remuneration and Nomination Committee.
- (2) Members of the Board of Commissioners must satisfy the requirement of passing the Fit and Proper Test pursuant to Bank Indonesia regulation concerning Fit and Proper Test.

Article 7

- (1) Each member of the Board of Commissioners may only hold another position as a member of the Board of Commissioners, the Board of Directors, or Executive Officer at 1 (one) non financial institution/company.
- (2) It shall not be considered as holding another position as referred to in Paragraph (1) if the member of the Board of Commissioners :
 - a. performs the functional tasks of Bank owner which is a legal entity ;

or

- b. holds another position in a non profit organization or institution, insofar that he/she does not forsake the implementation of tasks and responsibilities as a member of the Board of Commissioners of the Bank.
- (3) The majority of the Board of Commissioners members shall refrain from having family relationship up to the second degree with other members of the Board of Commissioners and /or members the Board of Directors.

Part Two

Board of Commissioners' Tasks and Responsibilities

Article 8

The Board of Commissioners must perform its tasks and responsibilities in an independent manner.

Article 9

- (1) The Board of Commissioners must ensure the implementation of Good Corporate Governance in each of the Bank business activity on all organizational levels or hierarchy as referred to in Article 2.
- (2) The Board of Commissioners must perform supervisory function on the implementation of the tasks and responsibilities of the Board of Directors, and must provide advice to the Board of Directors .
- (3) In performing the supervisory function as referred to in paragraph (2), commissioners must direct, monitor, and evaluate the implementation of Bank strategic policies.
- (4) In performing the supervisory function as referred to in paragraph (2), the Board of Commissioners are prohibited from being involved in decision

making ...

making related to Bank operational activities, except:

- a. provision of funds to related parties as stipulated in Bank Indonesia regulation concerning Commercial Bank Legal Lending Limit; and
 - b. other matters as stipulated in the Bank's Articles of Association or prevailing laws and regulations.
- (5) Decision making by the Board of Commissioners as referred to in paragraph (4) shall not erase the responsibilities of the Board of Directors in performing Bank management function.

Article 10

The Board of Commissioners must ensure whether the Board of Directors had taken follow up actions on audit findings and recommendations from the Bank 's Internal Audit Work Unit, external auditor, Bank Indonesia supervision result and /or other authorities supervision result.

Article 11

The Board of Commissioners must inform Bank Indonesia no later than 7 (seven) business days upon the finding on :

- a. a violation of financial and banking laws and regulations; and
- b. a condition or condition predicted to endanger Bank business continuity.

Article 12

- (1) In order to support the effectiveness of the implementation of its tasks and responsibilities, the Board of Commissioners must at least form the following:

- a. an Audit Committee;

b. a Risk ...

- b. a Risk Policy Committee;
 - c. a Remuneration and Nomination Committee.
- (2) The Board of Commissioners may form a Remuneration Committee and a Nomination Committee separately.
 - (3) Committee members as referred to in paragraph (1) shall be appointed by the Board of Directors based on a decision by the Board of Commissioners meeting .
 - (4) The Board of Commissioners must ensure whether the committees referred to in paragraph (1) and paragraph (2) implement their tasks effectively.
 - (5) The committees referred to in paragraph (1) and paragraph (2) must prepare a guideline and work procedure for the committee.

Article 13

- (1) The Board of Commissioners must own a work guideline and procedure which is binding on each member of the Board of Commissioners .
- (2) The work guideline and procedure referred to in paragraph (1) must at least cover :
 - a. work ethics;
 - b. time period; and
 - c. meeting regulations.

Article 14

The Board of Commissioners must allocate adequate time in order to perform its tasks and responsibilities optimally.

Part Three

Board of Commissioners Meeting

Article 15

- (1) Board of Commissioners meeting must be held periodically at least 4 (four) times a year .
- (2) Board of Commissioners meeting as referred to in paragraph (1) must be physically attended by all members of the Board of Commissioners no less than 2 (two) times a year .

Article 16

- (1) Board of Commissioners meeting decisions shall be made by unanimous consent principle.
- (2) In case unanimous consent as referred to in paragraph (1) could not be reached, the decision shall be made by way of majority voting.
- (3) All decisions by the Board of Commissioners referred to in paragraph (1) and paragraph (2) shall be binding on all members of the Board of Commissioners .
- (4) The result of the Board of Commissioners meeting as referred to in paragraph (1) must be written into a minutes of meeting and documented well.
- (5) Any dissenting opinions in the Board of Commissioners meeting as referred to in paragraph (1) must be written clearly in the minutes of meeting together with the reason for the dissenting opinions.

Part Four

Board of Commissioners Transparency Aspect

Article 17

Members of the Board of Commissioners must disclose :

- a. share ownership at the bank and other banks and companies domiciled domestically and abroad;
- b. financial relationship and family relationship with other members of the Board of Commissioners, members of the Board of Directors and /or Bank Shareholders,

in the Good Corporate Governance implementation report as stipulated in this Bank Indonesia Regulation.

Article 18

- (1) Members of the Board of Commissioners are prohibited from using the Bank for self, family, and other party's interests which may cause a loss to or decrease the profit of the Bank.
- (2) Members of the Board of Commissioners are prohibited from taking and /or receiving a personal gain from the Bank other than remuneration and other facilities decided by the General Meeting of Shareholders.
- (3) Members of the Board of Commissioners must disclose the remuneration and facilities as referred to in paragraph (2) in the Good Corporate Governance implementation report as stipulated in this Bank Indonesia Regulation .

CHAPTER III

THE BOARD OF DIRECTORS

Part One

Number, Composition , Criteria and Independency of The Board of Directors

Article 19

- (1) The number of Board of Directors' members shall be no less than 3 (three) persons .
- (2) All members of the Board of Directors must be domiciled in Indonesia.
- (3) The Board of Directors shall be led by a President Director or a Chief Director.

Article 20

The President Director or Chief Director as referred to in Article 19 Paragraph (3) must be a party who is independent from the Controlling Shareholders.

Article 21

- (1) Each recommendation to replace and /or appoint members of the Board of Directors by the Board of Commissioners to the General Meeting of Shareholders must consider the Remuneration and Nomination Committee's recommendation.
- (2) The majority of the Board of Directors' members shall have at least 5 (five) years of experience in operation as an Executive Officer in a Bank.
- (3) The provision as referred to in paragraph (2) shall not be valid for Commercial Banks conducting business activities under Sharia principles.
- (4) Each member of the Board of Directors must meet the requirement of having passed a Fit and Proper Test pursuant to Bank Indonesia regulation concerning Fit and Proper Test.

Article 22

- (1) Each member of the Board of Directors is prohibited from holding another

position ...

position as a member of the Board of Commissioners, the Board of Directors or Executive Officer at a bank, company and /or other institution.

- (2) Each member of the Board of Directors both individually or jointly is prohibited from owning shares of more than 25% (twenty five percent) from the paid in capital of the Bank and /or another company.

Article 23

The majority of the Board of Directors members are prohibited from having family relationship up to the second degree with other members of the Board of Directors and /or members of the Board of Commissioners .

Article 24

Members of the Board of Directors are prohibited from extending a general power of attorney to other parties which will result in transfer of the tasks and functions of the Board of Directors .

Part Two

Board of Directors' Tasks and Responsibilities

Article 25

- (1) The Board of Directors shall be fully responsible for performing Bank management function.
- (2) The Board of Directors must manage the Bank in accordance with its authority and responsibilities as stipulated in the Articles of Association and prevailing laws and regulations .

Article 26

The Board of Directors must implement Good Corporate Governance principles in each of the Bank's business activity for all organizational levels or hierarchy as referred to in Article 2.

Article 27

The Board of Directors must take follow up action for audit findings and recommendations from the Bank's Internal Audit Work Unit, external auditor, Bank Indonesia's supervision result and /or other authorities' supervision result.

Article 28

In implementing Good Corporate Governance principles as referred to in Article 26, The Board of Directors must at least form :

- a. Internal Audit Work Unit ;
- b. Risk Management Work Unit and Risk Management Committee ; and
- c. Compliance Work Unit.

Article 29

The Board of Directors must be responsible for the implementation of its tasks to Shareholders through the General Meeting of Shareholders.

Article 30

The Board of Directors must disclose the Bank's strategic policies on employee related matters to the employees.

Article 31

The Board of Directors are prohibited from having an individual advisor and /or professional service as a consultant unless if the following requirements are met:

- a. a project with special characteristics;
- b. based on a clear contract covering at least work scope, responsibilities, work period and fee involved;
- c. the consultant shall be an independent party having a qualification to work on a project with special characteristics as referred to in letter a.

Article 32

The Board of Directors must provide accurate, relevant, and timely data and information to the Board of Commissioners .

Article 33

- (1) The Board of Directors must possess a work guideline and procedure which is binding on each member of the Board of Directors .
- (2) The work guideline and procedure as referred to in paragraph (1) must at least cover :
 - a. work ethics;
 - b. work time period; and
 - c. meeting regulations.

Article 34

All decisions by the Board of Directors made in accordance to the work guideline and procedure shall be binding on and become the responsibilities of

all members of the Board of Directors .

Part Three

Board of Directors Meeting

Article 35

- (1) Each strategic policy and decision must be made in the Board of Directors Meeting by considering the provisions as stipulated in Article 9 Paragraph (4).
- (2) The decision in the Board of Directors Meeting as referred to in paragraph (1) shall be made under unanimous consent principle.
- (3) In case the unanimous consent as referred to in paragraph (2) could not be reached, the decision making shall be done by way of majority voting.
- (4) The result of the Board of Directors Meeting as referred to in paragraph (1) must be stated in a minutes of meeting and documented well.
- (5) Any dissenting opinions in the Board of Directors Meeting as referred to in paragraph (1), must be clearly stated in the minutes of meeting together with the reason of the dissenting opinion.

Part Four

Board of Directors' Transparency Aspects

Article 36

Members of the Board of Directors must disclose :

- a. share ownership at the bank and other banks and companies domiciled domestically and abroad;
- b. financial relationship and family relationship with members of the Board of Commissioners, other members of the Board of Directors and /or Bank Shareholders,

in the...

in the Good Corporate Governance implementation report as stipulated in this Bank Indonesia Regulation.

Article 37

- (1) Members of the Board of Directors are prohibited from using the Bank for self, family, and other other party's interests which may cause a loss or decrease the profit of the Bank.
- (2) Members of the Board of Directors are prohibited from taking and /or receiving a personal gain from the Bank other than remuneration and other facilities as stipulated in the General Meeting of Shareholders.
- (3) Members of The Board of Directors must disclose the remuneration and facilities as referred to in paragraph (2) in the report on Good Corporate Governance implementation as stipulated in this Bank Indonesia Regulation .

CHAPTER IV COMMITTEES

Part One

Committee Structure and Membership

Article 38

- (1) Audit Committee members as referred to in Article 12 Paragraph (1) letter a shall at least consist of :
 - a. an independent commissioner ;
 - b. an independent party with expertise in finance or accounting; and
 - c. an independent party with expertise in legal or banking .
- (2) Audit Committee as referred to in paragraph (1) shall be headed by an independent commissioner .
- (3) Board of Directors members are prohibited from becoming Audit

Committee members as referred to in paragraph (1).

- (4) Audit Committee members who are independent commissioners and independent parties as as referred to in paragraph (1) must at least reach 51% (fifty one percent) of all members of the Audit Committee.
- (5) Audit Committee members as referred to in paragraph (1) must possess good integrity, character, and mores.

Article 39

- (1) Risk Policy Committee members as referred to in Article 12 Paragraph (1) letter b must at least consist of :
 - a. an Independent Commissioner ;
 - b. an independent party with expertise in finance; and
 - c. an independent party with expertise in Risk Management .
- (2) Risk Policy Committee as referred to in paragraph (1) shall be headed by an independent commissioner .
- (3) Board of Directors members are prohibited from becoming Risk Policy Committee members as referred to in paragraph (1).
- (4) Risk Policy Committee members who are independent commissioners and independent parties as referred to in paragraph (1) must at least reach 51% (fifty one percent) of all members of the Risk Policy Committee.
- (5) Risk Policy Committee members as referred to in paragraph (1) must posses good integrity, character, and mores.

Article 40

- (1) Remuneration and Nomination Committee memberes as referred to in Article 12 Paragraph (1) letter c must at least consist of:

a. an Independent...

- a. an Independent Commissioner ;
 - b. a Commissioner; and
 - c. an Executive Officer .
- (2) Remuneration and Nomination Committee as referred to in paragraph (1) shall be headed by an independent commissioner .
- (3) Board of Directors members are prohibited from becoming Remuneration and Nomination Committee members as referred to in paragraph (1).
- (4) If the number of Remuneration and Nomination Committee members are more than 3 (three) persons then the number of independent commissioners in the Committee must at least be 2 (two) persons .

Article 41

In the event that the Bank forms a Remuneration Committee and a Nomination Committee separately as referred to in Article 12 Paragraph (2), then the membership of each of the committee shall be as stipulated in Article 40.

Part Two

Committee Head Holding Multiple Positions

Article 42

Committee Head as referred to in Article 12 may only hold another Committee Head position in no more than 1 (one) other committee.

Part Three

Committee Tasks and Responsibilities

Article 43

- (1) Audit Committee shall perform monitoring and evaluation of audit

planning and implementation as well as monitoring the audit result follow up actions in order to assess the adequacy of internal audit including the adequacy of financial reporting process .

- (2) In order to implement the tasks as referred to in paragraph (1), the Audit Committee must at least perform the monitoring and evaluation of:
- a. implementation of the tasks of the Internal Audit Work Unit ;
 - b. consistency between audit implementation by the Public Accountant Office with prevailing auditing standards;
 - c. consistency between the financial report with prevailing accounting standards ;
 - d. implementation of follow up actions by the Board of Directors on findings by the Internal Audit Work Unit, public accountant, and Bank Indonesia supervision result,
- in order to give a recommendation to the Board of Commissioners .
- (3) Audit Committee must give a recommendation on the appointment of Public Accountant and Public Accountant Office to the Board of Commissioners to be submitted to the General Meeting of Shareholders.

Article 44

Risk Policy Committee must at least accomplish the following :

- a. evaluation of the consistency between risk management policies with the implementation of the policies;
 - b. monitoring and evaluation of the implementation of the Risk Policy Committee's and the Risk Policy Work Unit's tasks,
- in order to give a recommendation to the Board of Commissioners .

Article 45

The Remuneration and Nomination Committee as referred to in Article 12 Paragraph (1) letter c shall perform at least the following tasks and responsibilities :

- a. related to remuneration policies:
 - 1) performs an evaluation of the remuneration policy; and
 - 2) gives a recommendation to the Board of Commissioners concerning:
 - a) Board of Commissioners and Board of Directors remuneration policies to be submitted to the General Meeting of Shareholders;
 - b) Executive Officers and employee remuneration policies as a whole to be submitted to the Board of Directors ;
- b. related to nomination policies:
 - 1) prepare and give a recommendation on the system and procedure for selecting and /or replacing members of the Board of Commissioners and the Board of Directors to the Board of Commissioners to be submitted to the General Meeting of Shareholders ;
 - 2) submit a recommendation on prospective members of the Board of Commissioners and /or the Board of Directors to the Board of Commissioners to be submitted to the General Meeting of Shareholders;
 - 3) submit a recommendation on independent parties who will become committee members as referred to in Article 38 Paragraph (1) letter b and letter c, Article 39 Paragraph (1) letter b and letter c to the Board of Commissioners .

Article 46

The Remuneration and Nomination Committee as referred to in Article 12 Paragraph (1) letter c must ensure that the remuneration policy commensurate with at least the following :

- a. financial performance and reserves formation as stipulated in prevailing laws and regulations ;
- b. individual work performance;
- c. fairness compared to peer group; and
- d. consideration on long term goals and strategies of the Bank.

Part Five

Committee Meetings

Article 47

- (1) Committee meetings shall be held in accordance to the need of the Bank.
- (2) Audit Committee and Risk Policy Committee meetings may only be held if attended by no less than 51% (fifty one percent) of the number of members and shall include an independent commissioner and an independent party.
- (3) Remuneration and Nomination Committee meetings may only be held if attended by no less than 51% (fifty one percent) of the number of members and shall include an independent commissioner and an executive officer.

Article 48

- (1) Decision in the committee meetings shall be made under unanimous consent principle.
- (2) In case unanimous consent as referred to in paragraph (1) could not be

reached, the decision making shall be made by way of majority voting.

- (3) The result of committee meeting as referred to in paragraph (1) must be written into a minutes of meeting and documented well.
- (4) Any dissenting opinions in the committee meeting as referred to in paragraph (1) must be written clearly in the minutes of meeting together with the reason of the dissenting opinions.

CHAPTER V

COMPLIANCE, INTERNAL AUDIT, AND EXTERNAL AUDIT FUNCTIONS

Part One

Bank Compliance Function

Article 49

Bank must ensure its compliance to Bank Indonesia laws and regulations and other prevailing laws and regulations.

Article 50

- (1) In order to ensure compliance as referred to in Article 49, the Bank must appoint a Compliance Director using the guideline for requirement and procedures as stipulated in Bank Indonesia regulation concerning Assignment of Compliance Director and Implementation of Standard for Performing Commercial Bank Internal Audit Function.
- (2) In order to support the effective performance of Compliance Director function, the Bank must establish a compliance unit which shall be independent from operational work units.
- (3) The compliance unit as referred to in paragraph (2) must prepare and update the guideline for work, system, and procedures.

Part Two
Internal Audit Function
Article 51

- (1) Bank must perform the internal audit function effectively using the guideline for requirement and procedures as stipulated in Bank Indonesia regulation concerning Assignment of Compliance Director and Implementation of Standard for Performing Commercial Bank Internal Audit Function.
- (2) In order to perform the internal audit function effectively, Bank shall establish an Internal Audit Work Unit which is independent from operational work units.
- (3) Internal Audit Work Unit as referred to in paragraph (2) must prepare and update the guideline for work, system, and procedure, as stipulated in Bank Indonesia regulation concerning Assignment of Compliance Director and Implementation of Standard for Performing Commercial Bank Internal Audit Function.

Part Three
External Audit Function
Article 52

- (1) Bank must appoint a Public Accountant and a Public Accountant Office which are listed at Bank Indonesia for the purpose of Bank financial audit report.
- (2) Appointment of Public Accountant and Public Accountant Office as referred to in paragraph (1) must obtain prior approval from the General Meeting of Shareholders based on candidates proposed by the Board of

Commissioners according to the recommendation of the Audit Committee.

- (3) Audit as referred to in paragraph (1) and appointment of Public Accountant and Public Accountant Office as referred to in paragraph (2) must comply with prevailing Bank Indonesia regulation concerning Transparency in Bank Financial Condition.

CHAPTER VI

RISK MANAGEMENT IMPLEMENTATION

Article 53

Bank must implement Risk Management effectively, in line with Bank's objective, business policy, size and business complexity and capability using the guideline in the requirement and procedures as stipulated in Bank Indonesia regulation concerning Risk Management Implementation for Commercial Banks .

CHAPTER VII

PROVISION OF FUNDS TO RELATED PARTIES AND PROVISION OF FUNDS IN LARGE AMOUNT (LARGE EXPOSURES)

Article 54

In order to avoid Bank's business failure due to concentrated fund provision and to increase Bank management's Independency from potential intervention by related parties, Bank must implement prudential principles in providing funds among others by diversifying the portfolio of funds channeled.

Article 55

Provision of funds to related parties and /or large exposures must use the

guideline in Bank Indonesia regulation concerning Commercial Bank Legal Lending Limit .

CHAPTER VIII BANK'S STRATEGIC PLANS

Article 56

- (1) Bank must prepare strategic plans in the form of a corporate plan and a business plan.
- (2) Submission of corporate plan referred to in paragraph (1) and amendments thereto to Bank Indonesia shall use the guideline in Bank Indonesia regulation concerning Commercial Banks .
- (3) Preparation and submission of business plan referred to in paragraph (1) shall use the guideline in Bank Indonesia regulation concerning Commercial Bank's Business Plan .

CHAPTER IX TRANSPARENCY ASPECT IN BANK CONDITION

Article 57

- (1) Bank must employ transparency in financial and non financial conditions to Stakeholders.
- (2) In employing transparency in financial and non financial conditions as referred to in paragraph (1), Bank must prepare and present reports pursuant to the procedure, type, and coverage as stipulated in Bank Indonesia regulation concerning Transparency in Bank Financial Condition.

Article 58

Bank must employ transparency in product information and use of Bank customer data using the guideline in requirement and procedures stipulated in Bank Indonesia regulation concerning Transparency in Bank Product Information and Use of Customer Personal Data.

CHAPTER X

INTERNAL REPORTING AND CONFLICTS OF INTEREST

Part One

Internal Reporting

Article 59

In order to improve the quality of decision making process by the Board of Directors and the quality of supervisory process by the Board of Commissioners, the Bank must ensure the availability and adequacy of internal reporting supported by adequate management information system.

Part Two

Handling of Conflicts of Interest

Article 60

In the event of a conflict of interest, members of the Board of Commissioners, members of the Board of Directors and Executive Officer are prohibited from taking actions that may cause a loss to Bank or decrease Bank's profit and must disclose the conflict of interest in each decision.

CHAPTER XI
REPORT AND ASSESSMENT OF
GOOD CORPORATE GOVERNANCE IMPLEMENTATION

Part One

Good Corporate Governance Implementation Report

Article 61

- (1) Bank must prepare a Good Corporate Governance implementation report at end of every book year.
- (2) The Good Corporate Governance implementation report as referred to in paragraph (1), shall at least cover :
 - a. Good Corporate Governance coverage as referred to in Article 2 Paragraph (2) and result of self assesment on Bank Good Corporate Governance implementation;
 - b. share ownership by members of the Board of Commissioners and financial relationship and family relationship among members of the Board of Commissioners with other members of the Board of Commissioners, members of the Board of Directors and /or Bank's Shareholders as referred to in Article 17;
 - c. share ownership by members of the Board of Directors and financial relationship and family relationship among members of the Board of Directors and members of the Board of Commissioners, other members of the Board of Directors, and /or Bank Shareholders as referred to in Article 36;
 - d. remuneration package/policy and other facilities for the Board of Commissioners and the Board of Directors ;
 - e. share options owned by Commissioners, the Board of Directors , and Executive Officers ;

- f. ratio of the highest salary to the lowest salary;
 - g. frequency of Board of Commissioners meetings as referred to in Article 15;
 - h. number of internal fraud and Bank's efforts to handle them ;
 - i. number of legal problems and Bank's settlement efforts;
 - j. transactions containing conflict of interest;
 - k. buy back of Bank shares and /or bonds; and
 - l. provision of funds for social activities and political activities, stating both the nominal value and the recipients.
- (3) Disclosure of the remuneration package/policy and other facilities for the Board of Commissioners and the Board of Directors as referred to in paragraph (2) letter d shall at least cover the number of Board of Commissioners members, Board of Directors members , and total amount of salaries, benefits, share based compensations, other forms of remuneration, and facilities as stipulated in the General Meeting of Shareholders.

Article 62

- (1) The Bank must submit a Good Corporate Governance implementation report as referred to in Article 61 to Shareholders and to :
- a. Bank Indonesia;
 - b. Indonesian Consumer Institution Foundation (YLKI);
 - c. Rating institutions in Indonesia;
 - d. Banking associations in Indonesia;
 - e. Indonesian Banking Development Institution (LPPI);
 - f. 2 (two) research institutions in economics and finance;

- g. 2 (two) economic and financial magazines,
no later than 5 (five) months after the end of book year.
- (2) Banks that already have a website/homepage must publish the Good Corporate Governance implementation report as referred to in paragraph (1) on the Bank's homepage no later than 5 (five) months after the end of book year.
- (3) Good Corporate Governance implementation report as referred to in paragraph (1) shall be submitted once for end of December 2007 reporting position.
- (4) A Bank shall be considered late in submitting the Good Corporate Governance implementation report if it submits the report to Bank Indonesia after the deadline of report submission as referred to in paragraph (1) but has not yet exceeded 1 (one) month after the deadline of report submission .
- (5) A Bank shall be considered not submitting the Good Corporate Governance implementation report if it has not submitted the report within the deadline allowed for late reports as referred to in paragraph (4).

Article 63

Further provisions on the Good Corporate Governance implementation report preparation as referred to in Article 61 shall be regulated in a Bank Indonesia Circular Letter.

Article 64

Submission of Good Corporate Governance implementation report to Bank Indonesia as referred to in Article 62 Paragraph (1) letter a shall be addressed to :

a. relevant...

- a. relevant Directorate of Bank Supervision, Jl. MH Thamrin No. 2, Jakarta 10110, for Banks having head offices in the work area of Bank Indonesia Head Office;
- b. local Bank Indonesia Office, for Banks having head offices outside the work area of Bank Indonesia Head Office.

Part Two

Assessment on Good Corporate Governance Implementation

(Self Assessment)

Article 65

- (1) Bank must perform a self assessment on Good Corporate Governance implementation which covers items stipulated in Article 2 Paragraph (2) at least 1 (one) time each year .
- (2) The result of self assessment on Good Corporate Governance implementation as referred to in paragraph (1) is an integrated part of the Good Corporate Governancei implementation report.
- (3) The procedure for assesment as referred to in paragraph (1) shall be regulated in a Bank Indonesia Circular Letter.

Article 66

- (1) In order to perform the evaluation on Good Corporate Governance implementation as referred to in Article 3, Bank Indonesia may perform an assesment or evaluation on the result of the self assessment on Good Corporate Governance implementation as referred to in Article 65 Paragraph (1).
- (2) Based on the assesment or evaluation result as referred to in paragraph (1),

Bank Indonesia may request the Bank to submit an action plan containing improvement steps to be pursued by the Bank in a certain time target.

- (3) If needed, Bank Indonesia may require the Bank to make adjustments to the action plan referred to in paragraph (2) and /or conduct a special examination on the result of the improvement in Good Corporate Governance implementation already done by the Bank.

CHAPTER XII

GOOD CORPORATE GOVERNANCE IMPLEMENTATION AT BRANCH OFFICES OF A FOREIGN BANK

Article 67

- (1) Branch offices of a foreign bank must fulfill the provisions concerning Good Corporate Governance implementation as stipulated in this Bank Indonesia Regulation.
- (2) The executor of Board of Commissioners function and formation of committees shall be adjusted with the organizational structure prevailing in the relevant bank.
- (3) The adjustment as referred to in paragraph (2) must meets all functions needed for the implementation of Good Corporate Governance as stipulated in this Bank Indonesia Regulation.

Article 68

Bank Indonesia has the authority to require an adjustment in the organizational structure of the branch office of a foreign bank to ensure Good Corporate Governance implementation pursuant to this Bank Indonesia Regulation.

CHAPTER XIII

SANCTIONS

Part One

Good Corporate Governance Implementation Sanctions

Article 69

Banks that do not comply with the provisions referred to in Article 4, Article 5, Article 7, Article 8, Article 9, Article 10, Article 11, Article 12, Article 13, Article 14, Article 15, Article 16, Article 17, Article 18, Article 19, Article 20, Article 22, Article 23, Article 24, Article 25, Article 26, Article 27, Article 28, Article 29, Article 30, Article 31, Article 32, Article 33, Article 35, Article 36, Article 37, Article 38, Article 39, Article 40, Article 41, Article 42, Article 43, Article 44, Article 45, Article 46, Article 47, Article 48, Article 49, Article 50 Paragraph (2) and Paragraph (3), Article 52 Paragraph (2), Article 59, Article 60, Article 65, Article 67 shall be imposed with administrative sanctions such as :

- a. warning letter;
- b. decrease of soundness rating for the management factor in the soundness rating evaluation;
- c. prohibition from participating in clearing activities;
- d. freezing of certain business activities;
- e. termination of Bank management and appointment of temporary replacement until a General Meeting of Shareholders or Cooperative Members Meeting appoints a permanent replacement with Bank Indonesia's approval ; and
- f. inclusion of management members, employees, Bank shareholders on the list of disqualified people (DTL) through fit and proper test mechanism.

Article 70

Banks that do not comply with the provisions in Article 49, Article 50 Paragraph (1), Article 51 and Article 52 Paragraph (1), Paragraph (3) and Paragraph (4) 55 shall be imposed with the sanction as stipulated in Bank Indonesia Regulation concerning Assignment of Compliance Director and Implementation of Standard for Performing Commercial Bank Internal Audit Function and Bank Indonesia Regulation concerning Transparency in Bank Financial Condition.

Article 71

Banks that do not comply with the provisions in Article 53 shall be imposed with the sanction as stipulated in Bank Indonesia Regulation concerning Risk Management Implementation for Commercial Banks .

Article 72

Banks that do not comply with the provisions in Article 54 and Article 55 shall be imposed with the sanction as stipulated in Bank Indonesia Regulation concerning Commercial Bank Legal Lending Limit.

Article 73

Banks that do not comply with the provisions in Article 56 shall be imposed with the sanction as stipulated in Bank Indonesia Regulation concerning Commercial Bank and Bank Indonesia Regulation concerning Commercial Bank Business Plan.

Article 74

Banks that do not comply with the provisions in Article 57 and Article 58 shall

be imposed...

be imposed with the sanction as stipulated in Bank Indonesia Regulation concerning Transparency in Bank Financial Condition and Bank Indonesia Regulation concerning Transparency in Information on Bank Products and Use of Customer Personal Data.

Part Two

Reporting Sanctions

Article 75

- (1) Banks that are late in submitting the report as referred to in Article 62 Paragraph (4) shall be imposed with a payment obligation sanction of Rp 1,000,000.00 (one million rupiahs) for each day of delay.
- (2) Banks that do not submit the report as referred to in Article 62 Paragraph (5) shall be imposed with a payment obligation sanction of Rp 100,000,000.00 (one hundred million rupiahs) and a warning letter from Bank Indonesia.
- (3) Banks that submit a significantly inaccurate and or incomplete report as stipulated in Article 61 and Article 63 shall be imposed with an administrative sanction in the form of a payment obligation of Rp250,000,000.00 (two hundred fifty million rupiahs) and administrative sanctions such as :
 - a. decrease of soundness rating for the management factor in the soundness rating evaluation
 - b. prohibition from participating in clearing activities;
 - c. freezing of certain business activities;
 - d. termination of Bank management and appointment of temporary replacement until a General Meeting of Shareholders or Cooperatives Members Meeting appoints a permanent replacement with Bank

Indonesia's approval ; and or

- e. inclusion of management members, employees, Bank shareholders on the list of disqualified people (DTL) through the fit and proper test mechanism.
- (4) Imposition of the payment obligation sanction as referred to in paragraph (3) shall be done after the Bank received 2 (two) warning letters from Bank Indonesia with a period of 7 (seven) business days between each warning and the Bank has not improved its report in a period of 7 (seven) business days after the last warning letter.

CHAPTER XIV

TRANSITIONAL PROVISIONS

Article 76

- (1) Publicly owned Banks and or Banks with assets amounting to Rp10,000,000,000,000.00 (ten trillion rupiahs) or more must comply with the provisions referred to in Article 4, Article 5, and Article 12 no later than the end of June 2007.
- (2) Non publicly owned Banks with assets amounting to less than Rp10,000,000,000,000.00 (ten trillion rupiahs) must comply with :
 - a. the provisions as referred to in Article 4, Article 5, and Article 12 Paragraph (1) letter a and letter b no later than the end of June 2007; and
 - b. the provisions as referred to in Article 12 Paragraph (1) letter c no later than the end of June 2008.

Article 77

Banks conducting business activities under Sharia principle must comply with

provisions...

provisions referred to in Article 19 Paragraph (1) no later than the end of June 2007.

CHAPTER XV CLOSING PROVISIONS

Article 78

With the enactment of this Bank Indonesia Regulation, then:

- a. Article 21 of Paragraph (1) of The Decree of The Board of Directors Number 32/37/KEP/DIR dated 12 May 1999 concerning Requirements and Procedure for Opening Branch Offices, Sub Branch Offices, and Representative Offices of a Bank Domiciled Abroad;
- b. Article 19, Article 22, Article 23, and Article 24 of Bank Indonesia Regulation Number 2/27/PBI/2000 dated 15 December 2000 concerning Commercial Banks;
- c. Article 6 letter c of Bank Indonesia Regulation Number 5/8/PBI/2003 dated 19 May 2003 concerning Implementation of Risk Management for Commercial Banks ,
- d. Article 23 Paragraph (1) and Paragraph (3), Article 24, Article 25 Paragraph (1), Paragraph (3), Paragraph (5) and Paragraph (6) of Bank Indonesia Regulation Number 6/24/PBI/2004 dated 14 October 2004 concerning Commercial Banks Conducting Business Activities Under Sharia Principle

are hereby declared no longer valid.

Article 79

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This Bank Indonesia Regulation shall take effect on the date of its enactment.

Enacted in Jakarta

On 30 January 2006

GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

STATE GAZETTE OF THE REPUBLIC OF INDONESIA YEAR 2006

NUMBER 6

DPNP

ELUCIDATION
TO
BANK INDONESIA REGULATION
NUMBER 8/4/PBI/2006
CONCERNING
GOOD CORPORATE GOVERNANCE IMPLEMENTATION
FOR COMMERCIAL BANKS

GENERAL

The rapid development in the banking industry is generally accompanied with increased complexity in bank's business activities leading to increased risk exposure. Good corporate governance in the banking industry is becoming more important today and in the future due to the increasing risks and challenges faced by the banking industry.

In order to improve bank's performance, protect stakeholders' interests and increase compliance to prevailing laws and regulations as well as code of conduct in the banking industry, each bank shall conduct its business activity in reference to Good Corporate Governance principles..

Good Corporate Governance implementation in the banking industry shall at all times be based on five main principles. First, transparency which means openness in disclosing material and relevant information and openness in the process of decision making. Second, accountability which means clarity of functions and implementation of the accountability of Bank's organs to ensure effective management. Third, responsibility which means consistency between bank management and prevailing laws and regulations as well as prudential bank management principles. Fourth, independency which means bank management in professional manner without undue influence/pressure from any parties. Fifth,

fairness ...

fairness which means justice and equality in fulfilling stakeholders' rights arising from agreements and prevailing laws and regulations. In implementing the above five principles, Bank shall refer to various regulations and minimum requirements as well as related guidance for good corporate governance implementation.

In order to rectify and improve good corporate governance implementation, each bank shall perform a self assessment regularly on the adequacy of good corporate governance implementation and shall prepare the implementation report, so that any deficiencies may be promptly followed by corrective actions.

ARTICLE BY ARTICLE

Article 1

Number 1 to number 8

Self explanatory.

Article 2

Paragraph (1)

The implementation of Good Corporate Governance principles in each of its business activity shall include the time of vision, mission, and strategic plan preparation, policy implementation, and internal supervision steps at each organizational level or hierarchy.

Paragraph (2)

Letter a

The implementation of the Board of Commissioner's and the Board of Directors' tasks and responsibilities shall refer to the Bank's articles of association and prevailing laws and

regulations...

regulations, including Bank Indonesia regulation concerning the implementation of the tasks and responsibilities.

Letter b

The purpose of committee formation, among others, is to assist in smoothing the supervisory task of commissioners while the Board of Directors' controlling task shall be supported by the formation of a work unit performing the controlling function such as bank's internal audit work unit, compliance work unit, and risk management work unit.

Letter c

Self explanatory.

Letter d

Self explanatory.

Letter e

The meaning of related party shall be as referred to in Bank Indonesia regulation concerning Commercial Bank Legal Lending Limit.

Letter f

Bank's strategic plans shall include corporate plan and business plan.

Letter g

Transparency shall include disclosure of Bank's qualitative and quantitative information to Stakeholders.

Article 3

Self explanatory.

Article 4

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 5

Paragraph (1)

The existence of Independent Commissioner is aimed to encourage a more objective work climate and environment as well as fairness and equality among various interests including minority stakeholders' interest and other stakeholders' interests.

Paragraph (2)

Self explanatory.

Article 6

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Article 7

Paragraph (1)

Based on the provision in this Article, the member of the Board of

Commissioner is prohibited from holding another position at commercial banks, rural banks, and other financial institutions in or outside Indonesia.

Paragraph (2)

The meaning of performing functional task is if the function in the Bank owner which is a legal entity is limited to supervisory function.

Paragraph (3)

The meaning of up to second degree family relationship include vertical as well as horizontal relationships, including parents in-law, son/daughter in-law, and brother/sister in-law, so that the term “family” shall mean:

1. biological/step/adopted parents;
2. biological/step/adopted brothers and sisters together with their husbands or wives;
3. biological/step/adopted children;
4. biological/step/adopted grandparents;
5. biological/foster/adopted grandchildren;
6. biological/foster/adopted brothers and sisters of parents together with their husbands or wives;
7. husband/wife;
8. parents in-law;
9. parents of son/daughter in law;
10. husband/wife of biological/step/adopted children;
11. grandparents of husband or wife;
12. husband/wife of biological/step/adopted grandchildren;
13. biological/step/adopted brother and sister of husband or wife together with their husband or wife.

The meaning of majority is being more than 50% (fifty percent) of the numbers of Board of Directors members.

Article 8

The meaning of independent as referred to in this Article shall be implementation of tasks objectively and free from undue pressures by and interests of any parties.

Article 9

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

The meaning of operational activities shall be loan disbursement, treasury, fund collection and other operational activities.

Letter a

Self explanatory.

Letter b

Stipulation of other matters in the articles of association which require the Board of Commissioners' involvement in the decision making shall be strategic matters affecting Bank business continuity.

Paragraph (5)

Self explanatory.

Article 10

The meaning of other authorities shall include but not be limited to:

- a. Capital Market Supervisory Body (Bapepam); and/or
- b. Supervisory authority of parent bank.

Article 11

Self explanatory.

Article 12

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Paragraph (5)

Self explanatory.

Article 13

Paragraph (1)

Self explanatory.

Paragraph (2)

Letter a

Self explanatory.

Letter b

Self explanatory.

Letter c

Meeting regulations shall include meeting agenda preparation, quorum criteria, decision making, participant's right in case of dissenting opinion, and minutes of meeting .

Article 14

The indicator of adequate allocation of time shall among others be the level of attendance according to work schedule as stipulated in a relevant work regulation and the level of attendance in meetings .

Article 15

Paragraph (1)

The form of meeting shall be adjusted with the Bank's needs, such as the use of teleconference technology.

Paragraph (2)

All members of the Board of Commissioners shall strive to physically attend meetings in order to evaluate/stipulate strategic policy and evaluate the realization of the Bank's business plan.

Article 16

Paragraph (1)

Self explanatory.

Paragraph ...

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Paragraph (5)

Self explanatory.

Article 17

Self explanatory.

Article 18

Paragraph (1)

Self explanatory.

Paragraph (2)

It shall not be considered personal gain if, among others, the member of the Board of Directors is the Bank's customer who receives appropriate interest income/reward.

Paragraph (3)

Self explanatory.

Article 19

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 20

The meaning of controlling shareholders shall be Controlling Shareholders as referred to in Bank Indonesia regulation concerning the Fit and Proper Test.

Assessment of independency shall be based on relatedness with management, ownership, and/or financial relationship and family relationship with controlling shareholders .

Article 21

Paragraph (1)

Excluding temporary replacement as referred to in the Act concerning Limited Liability Companies.

Paragraph (2)

The meaning of majority is being more than 50% (fifty percent) of the numbers of Board of Directors members.

Bank in this paragraph shall exclude rural banks.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Article 22

Paragraph (1)

The meaning of bank in this paragraph shall be commercial banks and rural bank domiciled domestically and abroad.

Paragraph (2)

Self explanatory.

Article 23

The meaning of up to second degree family relationship include vertical as well as horizontal relationships, including parents in-law, son/daughter in-law, and brother/sister in-law, so that the term “family” shall mean:

1. biological/step/adopted parents;
2. biological/step/adopted brothers and sisters together with their husbands or wives;
3. biological/step/adopted children;
4. biological/step/adopted grandparents;
5. biological/foster/adopted grandchildren;
6. biological/foster/adopted brothers and sisters of parents together with their husbands or wives;
7. husband/wife;
8. parents in-law;
9. parents of son/daughter in law;
10. husband/wife of biological/step/adopted children;
11. grandparents of husband or wife;
12. husband/wife of biological/step/adopted grandchildren;
13. biological/step/adopted brother and sister of husband or wife together with their husband or wife.

The meaning of majority is being more than 50% (fifty percent) of the numbers of Board of Directors members.

Article 24

The meaning of other parties shall be one or more employees or other parties.

Article 25

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Article 26

Self explanatory.

Article 27

The meaning of other authorities shall include but not be limited to:

- c. Capital Market Supervisory Body (Bapepam); and/or
- d. Supervisory authority of parent bank.

Article 28

Letter a

The meaning of Internal Audit Work Unit shall be the Internal Audit Work Unit as referred to in Bank Indonesia regulation concerning the Assignment of Compliance Director and Implementation of Standard

for ...

for Performing Commercial Bank Internal Audit Function.

Letter b

The meaning of Risk Management Work Unit and Risk Management Committee shall be the Risk Management Work Unit and Risk Management Committee as referred to in Bank Indonesia regulation concerning Commercial Bank Risk Management Implementation.

Letter c

The meaning of Compliance Work Unit shall be the work unit assisting the function of Compliance Director as referred Bank Indonesia regulation concerning the Assignment of Compliance Director and Implementation of Standard for Performing Commercial Bank Internal Audit Function.

Article 29

Self explanatory.

Article 30

Self explanatory.

Article 31

Letter a

Included in the category of projects with special characteristics shall be information technology projects or public relations development having criteria such as certain time target.

Letter b

Self explanatory.

Letter ...

Letter c

Self explanatory.

Article 32

The data and information shall be needed in relation to the tasks and responsibilities of the Board of Commissioners in performing supervisory function on the implementation of the tasks and responsibilities of the Board of Directors and monitoring of Bank policy implementation.

Article 33

Paragraph (1)

Self explanatory.

Paragraph (2)

Letter a

Self explanatory.

Letter b

Self explanatory.

Letter c

Meeting regulations shall include meeting agenda preparation, quorum criteria, decision making, participant's right in case of dissenting opinion, and minutes of meeting .

Article 34

Self explanatory.

Article 35

Paragraph (1)

The meaning of strategic policy and decisions shall be those that may significantly affect the Bank's financial condition and/or has continuous effect on the budget, human resources, organizational structure, and/or third parties.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Paragraph (5)

Self explanatory.

Article 36

Self explanatory.

Article 37

Paragraph (1)

Self explanatory.

Paragraph (2)

It shall not be considered personal gain if, among others, the member of the Board of Directors is the Bank's customer who receives appropriate interest income/reward.

Paragraph (3)

Self explanatory.

Article 38

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Paragraph (5)

The meaning of possessing good integrity, among others, is not being on Bank Indonesia's Disqualified List (DTL) and Bad Debt List (DKM), which is supported by personal statement letter.

Article 39

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Paragraph (5)

The meaning of possessing good integrity, among others, is not being on Bank Indonesia's Disqualified List (DTL) and Bad Debt List (DKM), which is supported by personal statement letter.

Article 40

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Article 41

Self explanatory.

Article 42

Self explanatory.

Article 43

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 44

Letter a

Self explanatory

Letter b

The meaning of Risk Management Committee and Risk Management Work Unit shall be as referred to in Bank Indonesia regulation concerning Commercial Bank Risk Management Implementation.

Article 45

Self explanatory.

Article 46

Letter a

The meaning of reserves shall be reserves as referred to in the Act concerning Limited Liability Companies.

Letter b

Relating remuneration to individual work performance is aimed to create consistency between individual work result with the rewards received by the individual.

Letter c

The meaning of peer group is equality of the position in the Bank and at several similar banks, such as similarities in terms of assets and characteristics.

Letter d

Self explanatory.

Article 47

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 48

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Article 49

Self explanatory.

Article 50

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 51

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 52

Paragraph (1)

The auditing of Bank financial report, among others, is aimed to improve reporting quality and accuracy of the presentation of Bank financial condition .

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 53

Self explanatory.

Article 54

Self explanatory.

Article 55

Self explanatory.

Article 56

Paragraph (1)

The meaning of corporate plan shall be the long term strategic plan in order to realize the Bank's objectives as referred to in Bank Indonesia regulation concerning Commercial Banks.

The meaning of business plan shall be the short term (one year) and medium term (three years) business plans including the strategy to realize such plans, the plan to improve business performance, and the plan to comply with prudential principles in line with the stipulated target and schedule .

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 57

Paragraph (1)

Non financial conditions shall include management, ownership, business development of the Bank and Bank's business group, management strategy and policies, and management report.

Paragraph (2)

Self explanatory.

Article 58

Self explanatory.

Article 59

Self explanatory.

Article 60

Conflicts of interest shall include a difference between the economic interest of the Bank and the owner, the Board of Commissioners members, the Board of Directors members, Executive Officers, and/or Bank related parties.

The basic aim of the provisions in this article is so that the Board of Commissioners members, the Board of Directors members, and Executive Officers will refrain from making decisions in situations and conditions where there are conflicts of interests. However, if the decision still needs to be made, the said parties must prioritize the Bank's economic interest and protect the Bank from potential losses or potential decrease in profit and must disclose the condition of conflict of interest in each decision.

In this regard, special treatments for certain parties other than those in line with prevailing procedures and regulations shall be considered as conflict of interest causing a loss to Bank or a decrease in Bank's profit, such as an interest rate treatment which is against prevailing procedures and regulations.

Article 61

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Letter a

Self explanatory.

Letter b

Self explanatory.

Letter c

Self explanatory.

Letter d

Disclosure of remuneration package/policy shall be used as a benchmark for Stakeholders in assessing the consistency between remuneration and the Bank's performance as a result of management by the Board of Commissioners and Board of Directors.

The meaning of other facilities shall be non monetary facilities, such as housing facility, transportation facility, and health insurance facility.

Letter e

Self explanatory.

Letter f

Self explanatory.

Letter g

Self explanatory.

Letter h

Internal fraud referred to in this regulation shall be limited to frauds related to Bank operations which significantly affect the

Bank's ...

Bank's financial condition.

Letter i

Legal problems referred to in this regulation shall be both civil and criminal cases.

Letter j

Self explanatory.

Letter k

Self explanatory.

Letter l

Self explanatory.

Paragraph (3)

Self explanatory.

Article 62

Paragraph (1)

Submission of Good Corporate Governance implementation report to shareholders are prioritized for controlling shareholders, while for other shareholders shall be based on efficiency and importance considerations by each Bank.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Paragraph (5)

Self explanatory.

Article 63

Self explanatory.

Article 64

Self explanatory.

Article 65

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 66

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 67

Paragraph (1)

Equal regulatory treatment for branch offices of foreign banks and for banks having head offices in Indonesia shall be applied since the principles and coverage of Good Corporate Governance implementation are universally applicable for each type of bank.

Paragraph (2)

Self explanatory.

Paragraph (3)

Self explanatory.

Article 68

Self explanatory.

Article 69

Self explanatory.

Article 70

Self explanatory.

Article 71

Self explanatory.

Article 72

Self explanatory.

Article 73

Self explanatory.

Article 74

Self explanatory.

Article 75

Paragraph (1)

The meaning of day shall be business day.

Paragraph (2)

Banks already imposed with payment obligation sanction in this paragraph shall not be imposed with sanctions due to lateness referred to in paragraph (1).

Paragraph (3)

Self explanatory.

Paragraph (4)

Self explanatory.

Article 76

Paragraph (1)

Self explanatory.

Paragraph (2)

Self explanatory.

Article 77

Self explanatory.

Article 78

Self explanatory.

Article 79

Self explanatory.

SUPPLEMENT TO STATE GAZZETTE OF REPUBLIC OF INDONESIA
NUMBER 4600